



An Overview of Cost Drivers in the Texas Property/Casualty Insurance Market

Insurance Information Institute
May 8, 2012

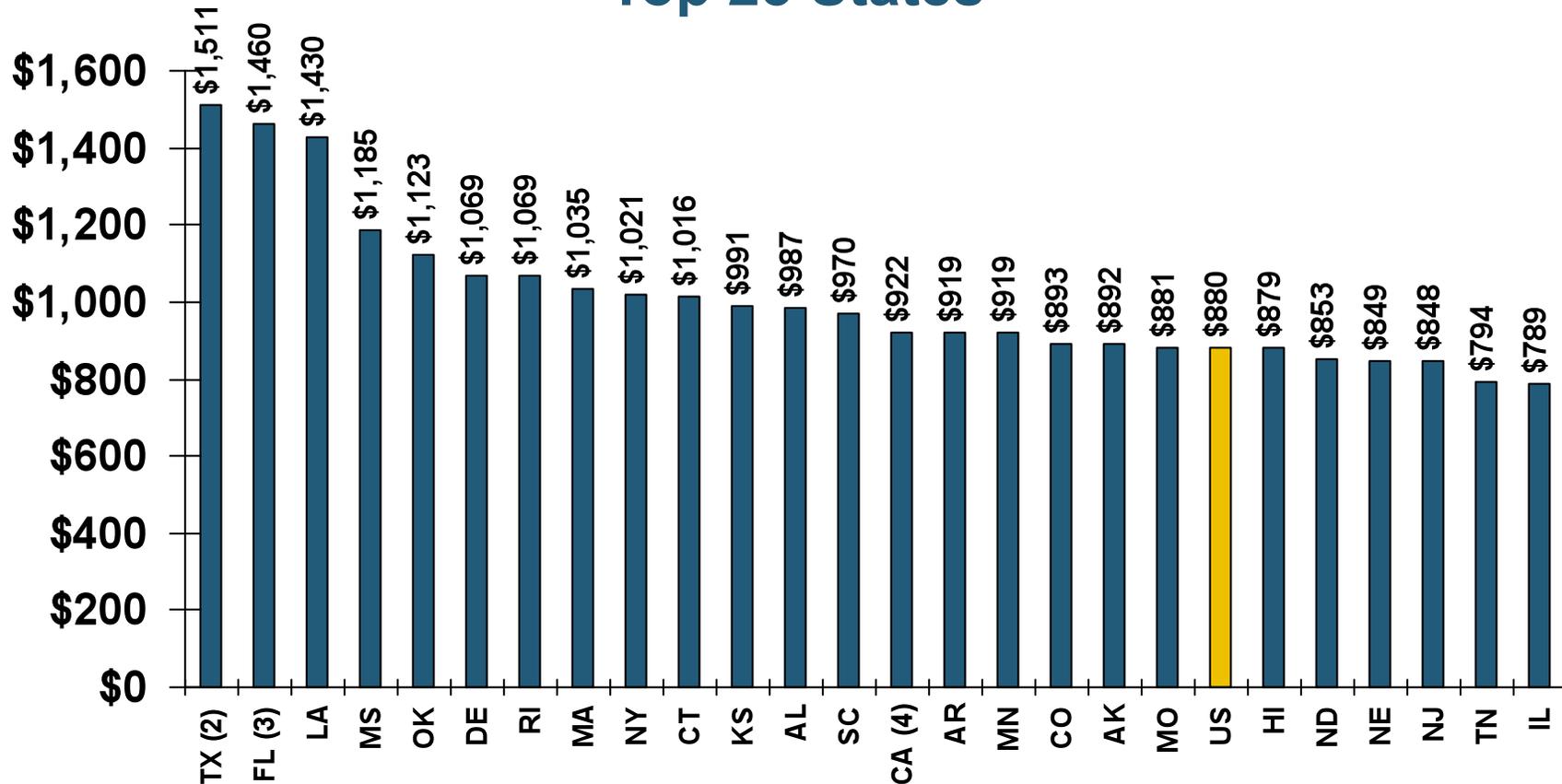
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Average Premiums For Home Insurance By State, 2009* (1)



Top 25 States



*Latest available.

(1) Based on the HO-3 homeowner package policy for owner-occupied dwellings, 1 to 4 family units. Provides "all risks" coverage (except those specifically excluded in the policy) on buildings and broad named-peril coverage on personal property, and is the most common package written.

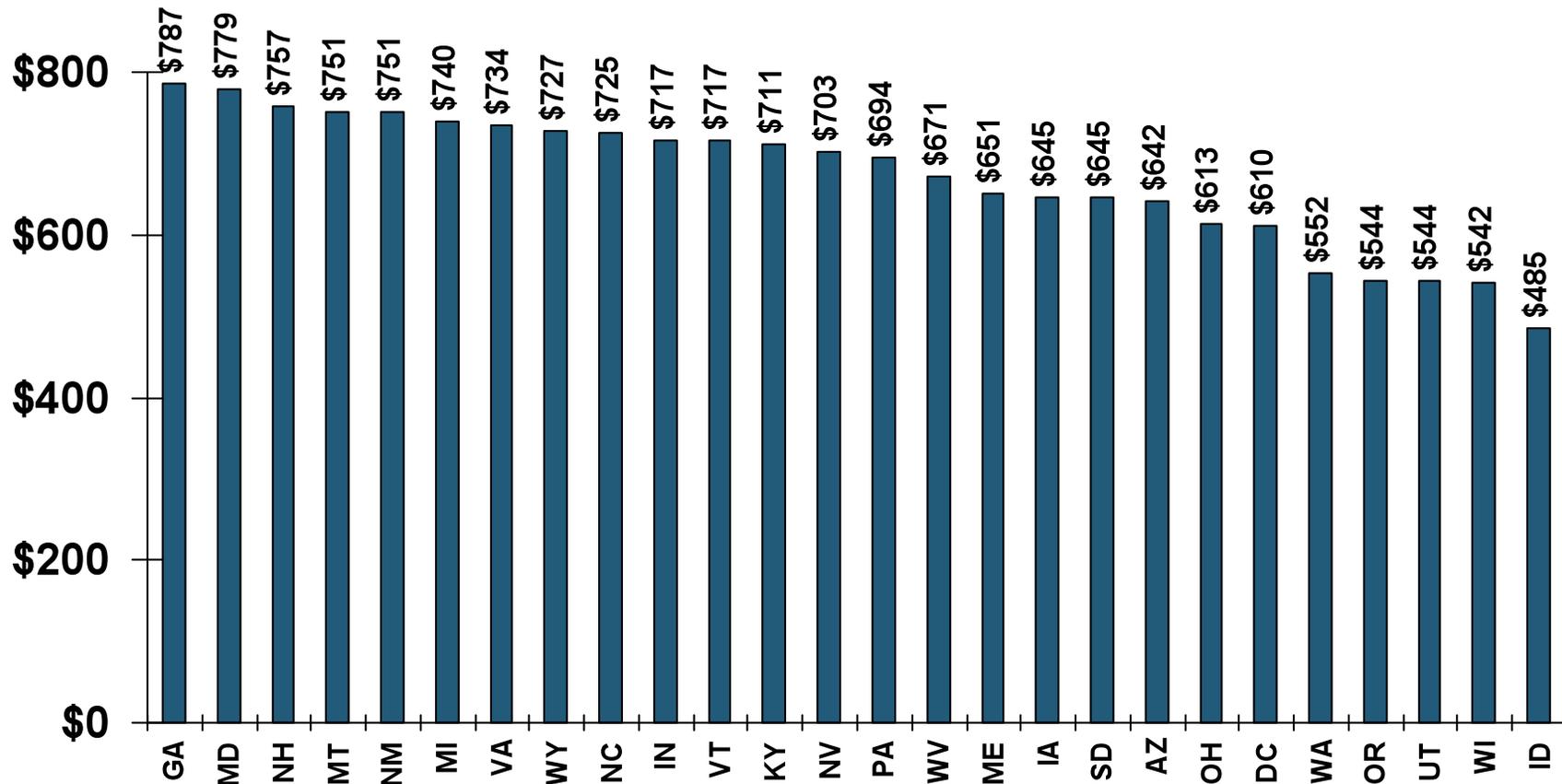
Note: Average premium=Premiums/exposure per house years. A house year is equal to 365 days insured coverage for a single dwelling.

Source: NAIC; Insurance Information Institute.

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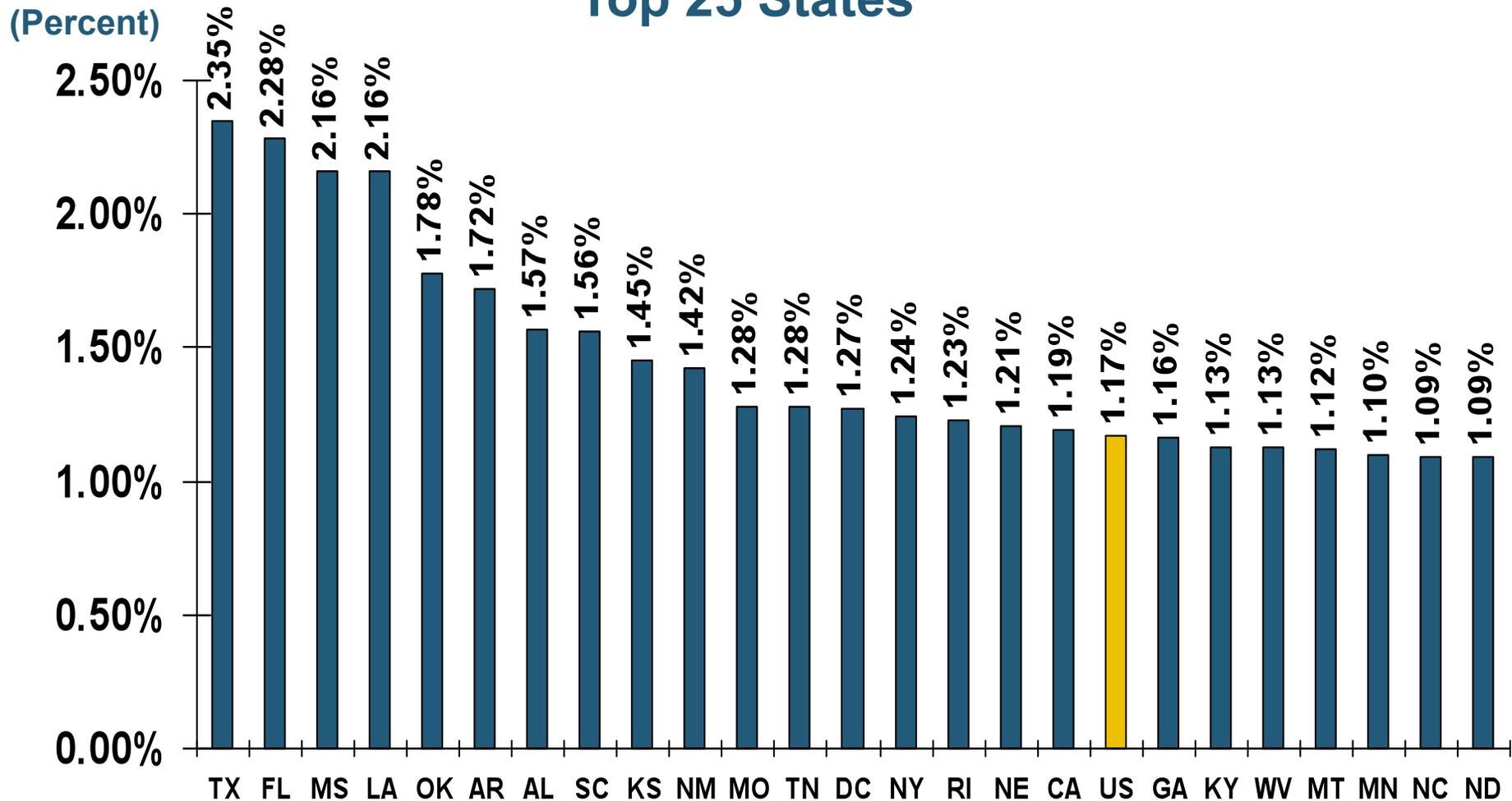
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Source: © 2010 National Association of Insurance Commissioners (NAIC). Reprinted with permission. Further reprint or distribution strictly prohibited without written permission of NAIC.

Ratio of Avg. Premium for Homeowners Insurance to Median Family Income, 2009



Top 25 States



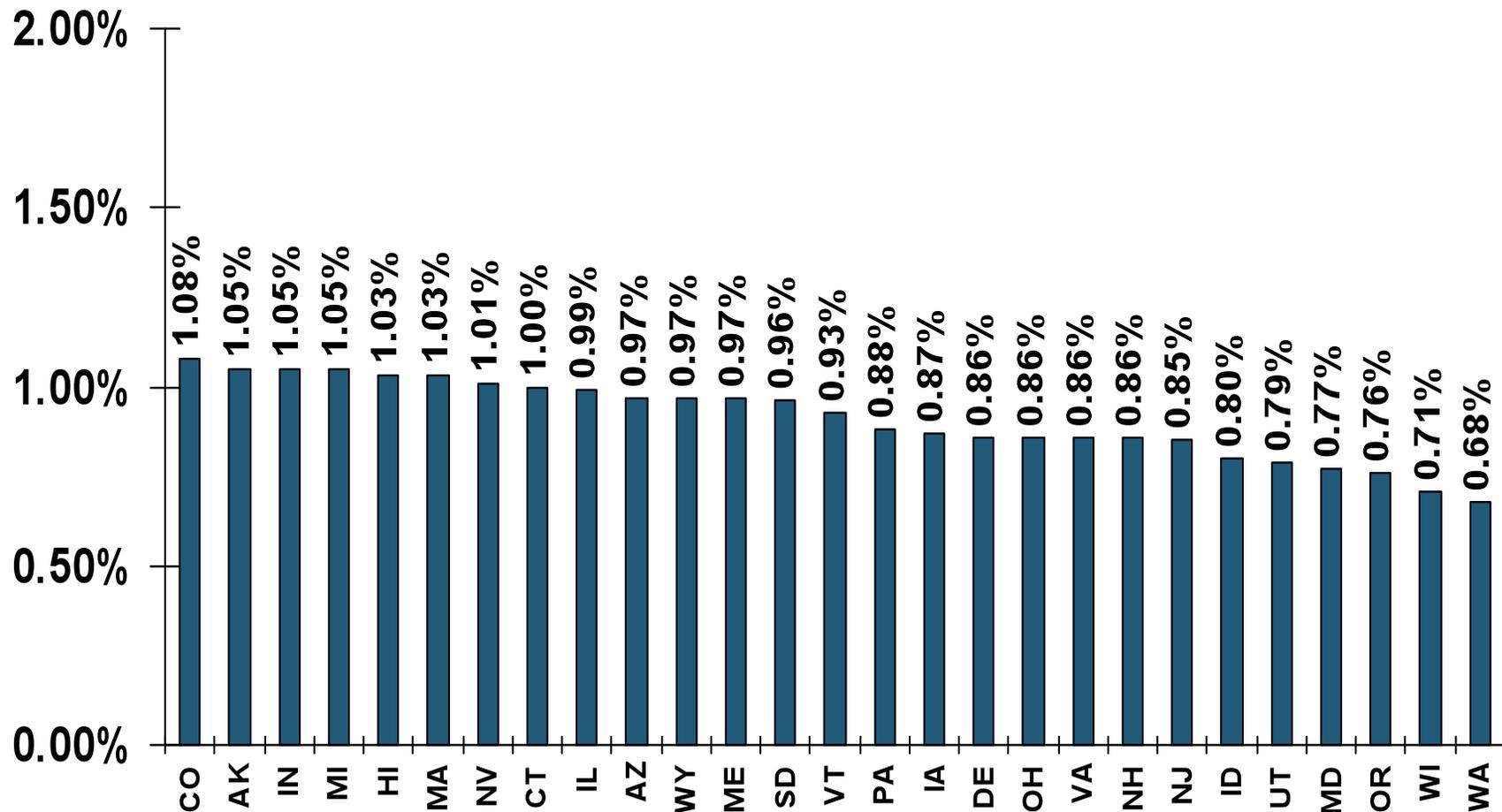
*Average homeowners insurance expenditure as a percentage of the 2009 median income for a family of four

Sources: Prepared by the Insurance Information Institute, based on data from the U.S. Census and the National Association of Insurance Commissioners.

Ratio of Avg. Premium for Homeowners Insurance to Median Family Income, 2009

(Percent)

Bottom 25 States



*Average homeowners insurance expenditure as a percentage of the 2009 median income for a family of four

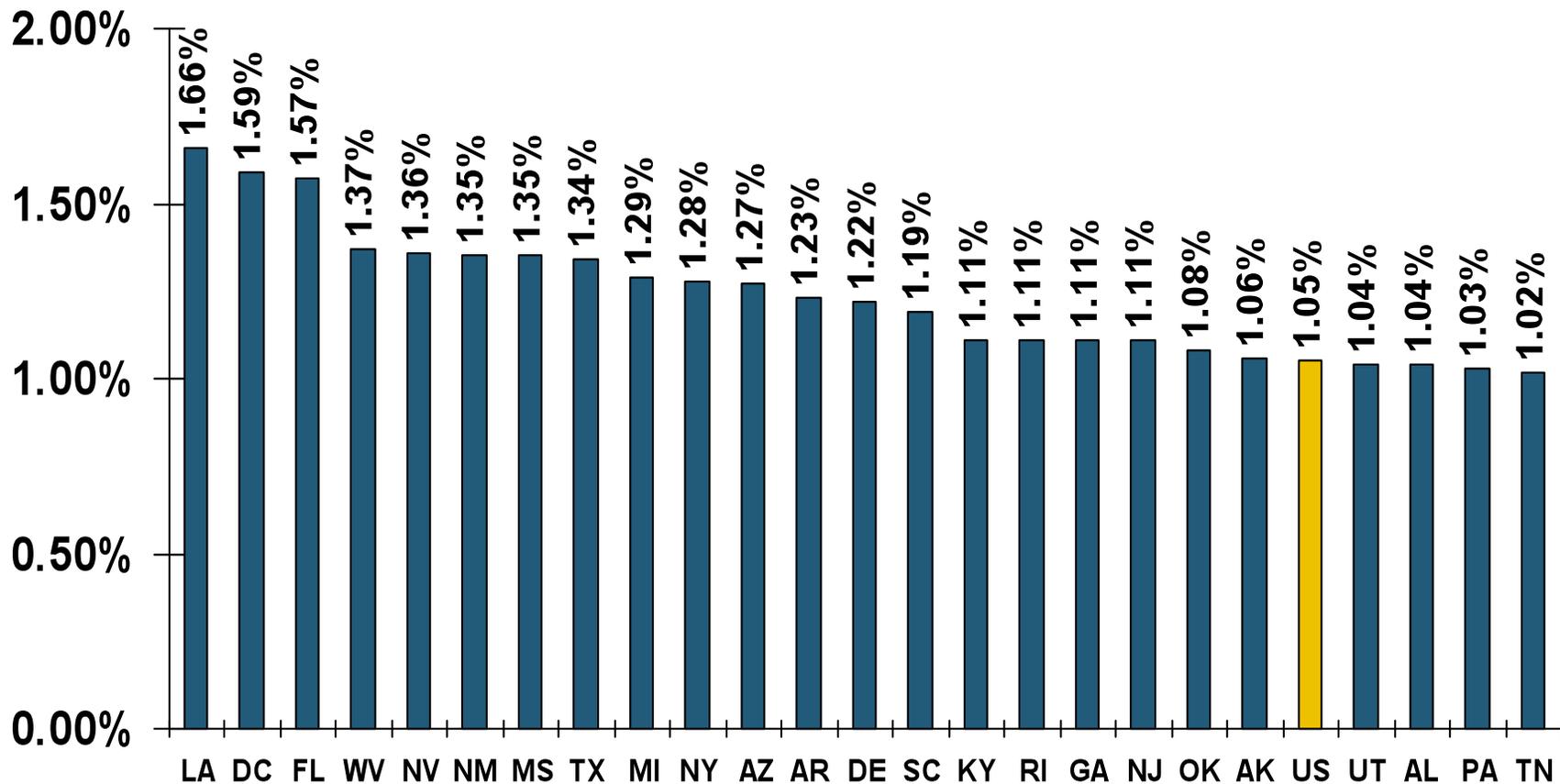
Sources: Prepared by the Insurance Information Institute, based on data from the U.S. Census and the National Association of Insurance Commissioners.

Ratio of Avg. Expenditure for Pvt. Passenger Auto Insurance to Median Family Income, 2009



Top 25 States

(Percent)



*Average auto insurance expenditure as a percentage of the 2009 median income for a family of four

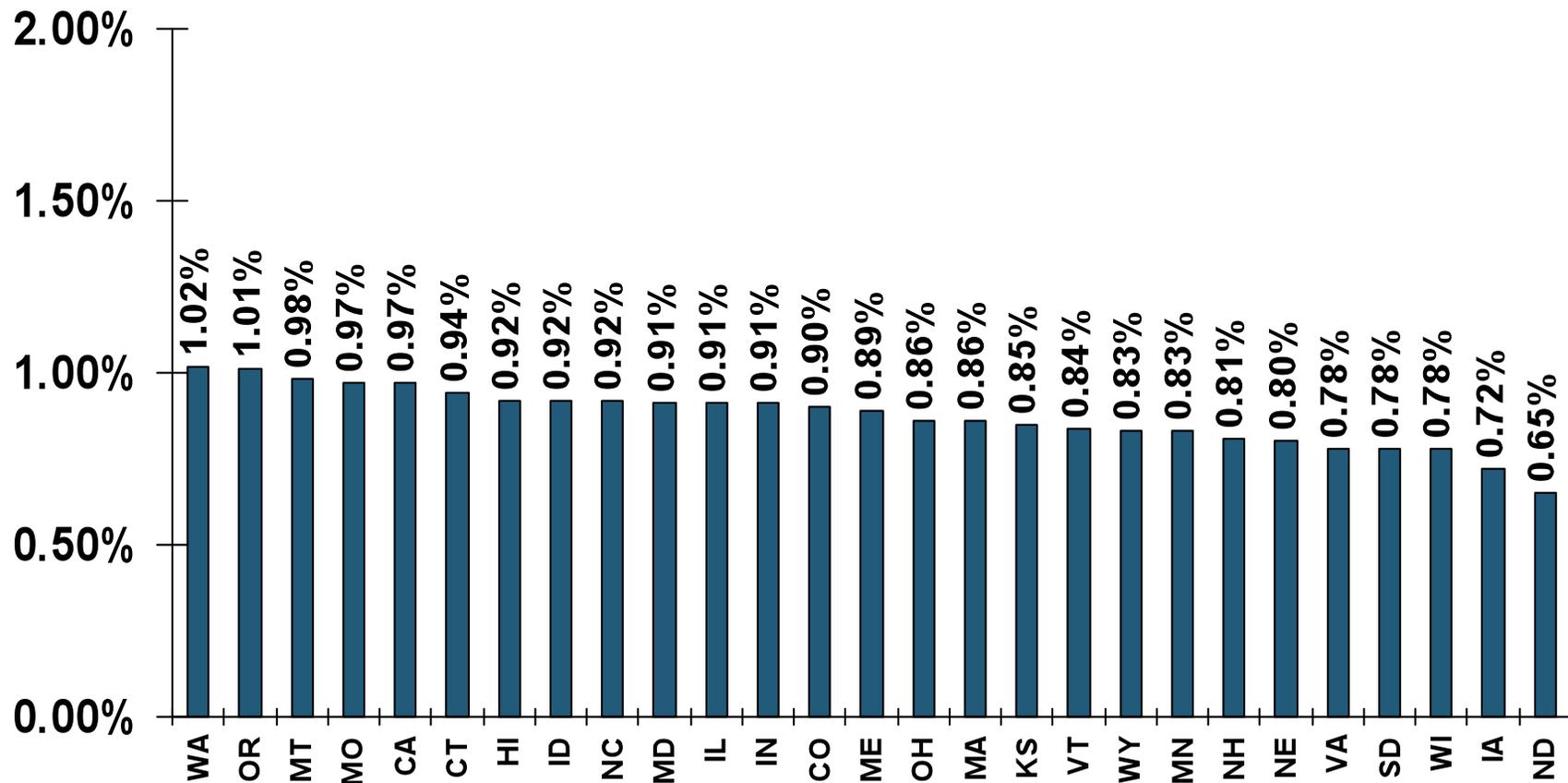
Sources: Prepared by the Insurance Information Institute, based on data from the U.S. Census and the National Association of Insurance Commissioners.

Ratio of Avg. Expenditure for Pvt. Passenger Auto Insurance to Median Family Income, 2009



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Bottom 25 States



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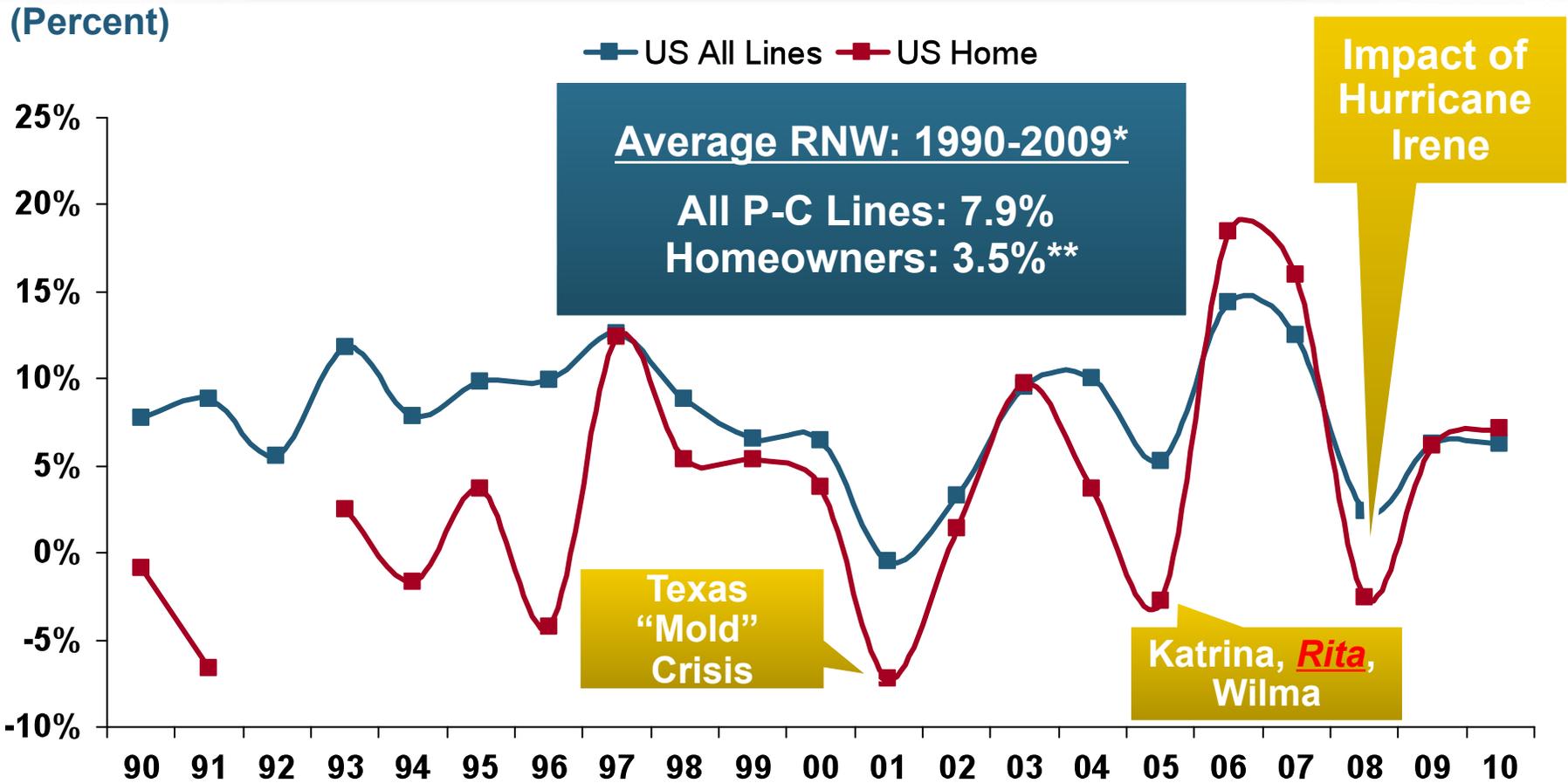
Sources: Prepared by the Insurance Information Institute, based on data from the U.S. Census and the National Association of Insurance Commissioners.



Personal Lines Profitability Analysis

**Significant Variability Over
Time and Across States**

Return on Net Worth: All P-C Lines vs. Homeowners, 1990-2010*



Homeowners Insurance Is Considerably More Volatile than the Market Overall Due to Coastal Exposure and Interior Wind/Hail Events

*Latest available.

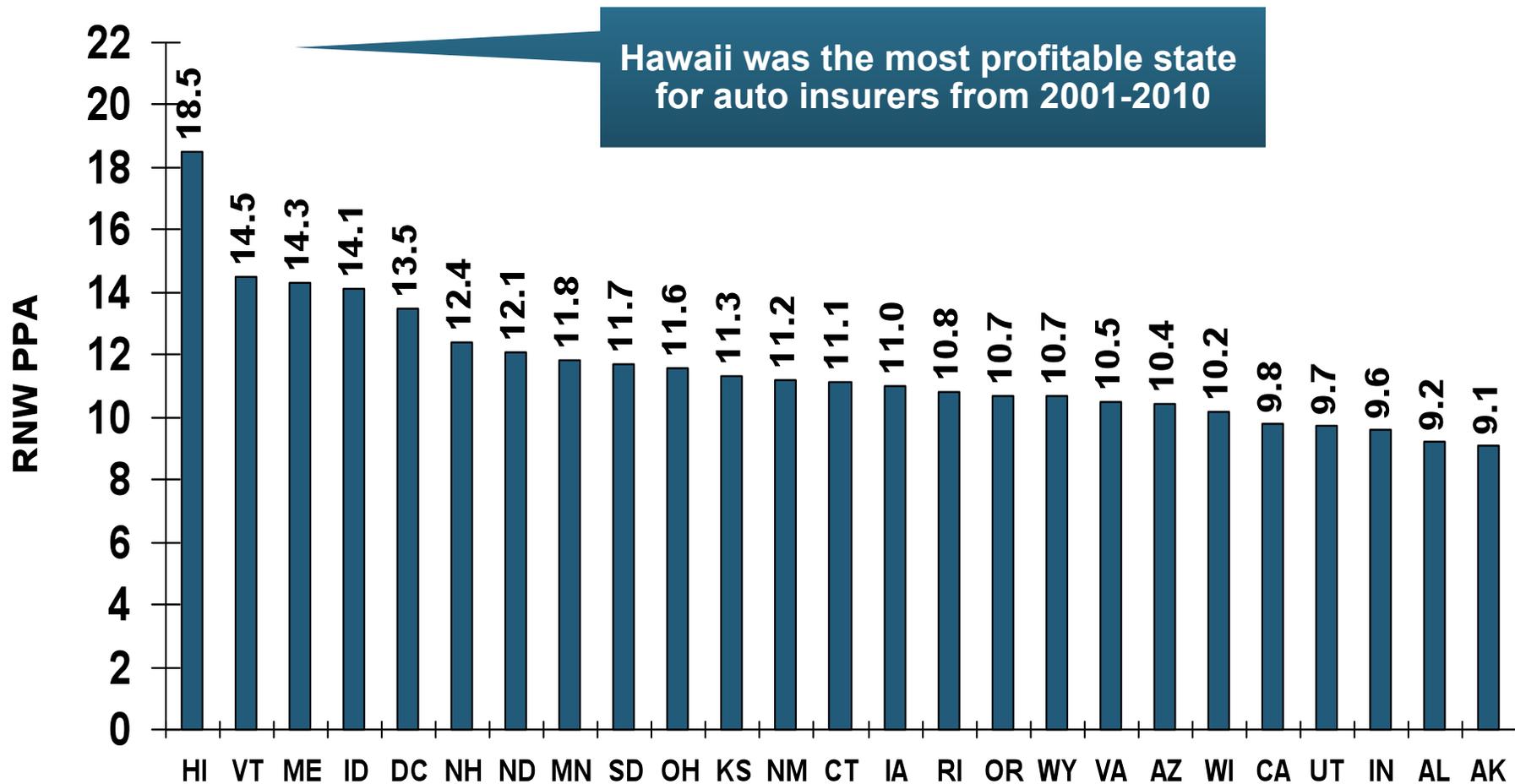
**Excluding Hurricane Andrew (1992); including 1992 produces an average homeowners RNW of 0.7%.

Sources: NAIC.

Return on Net Worth: Pvt. Passenger Auto, 10-Year Average (2001-2010*)

Top 25 States

(Percent)



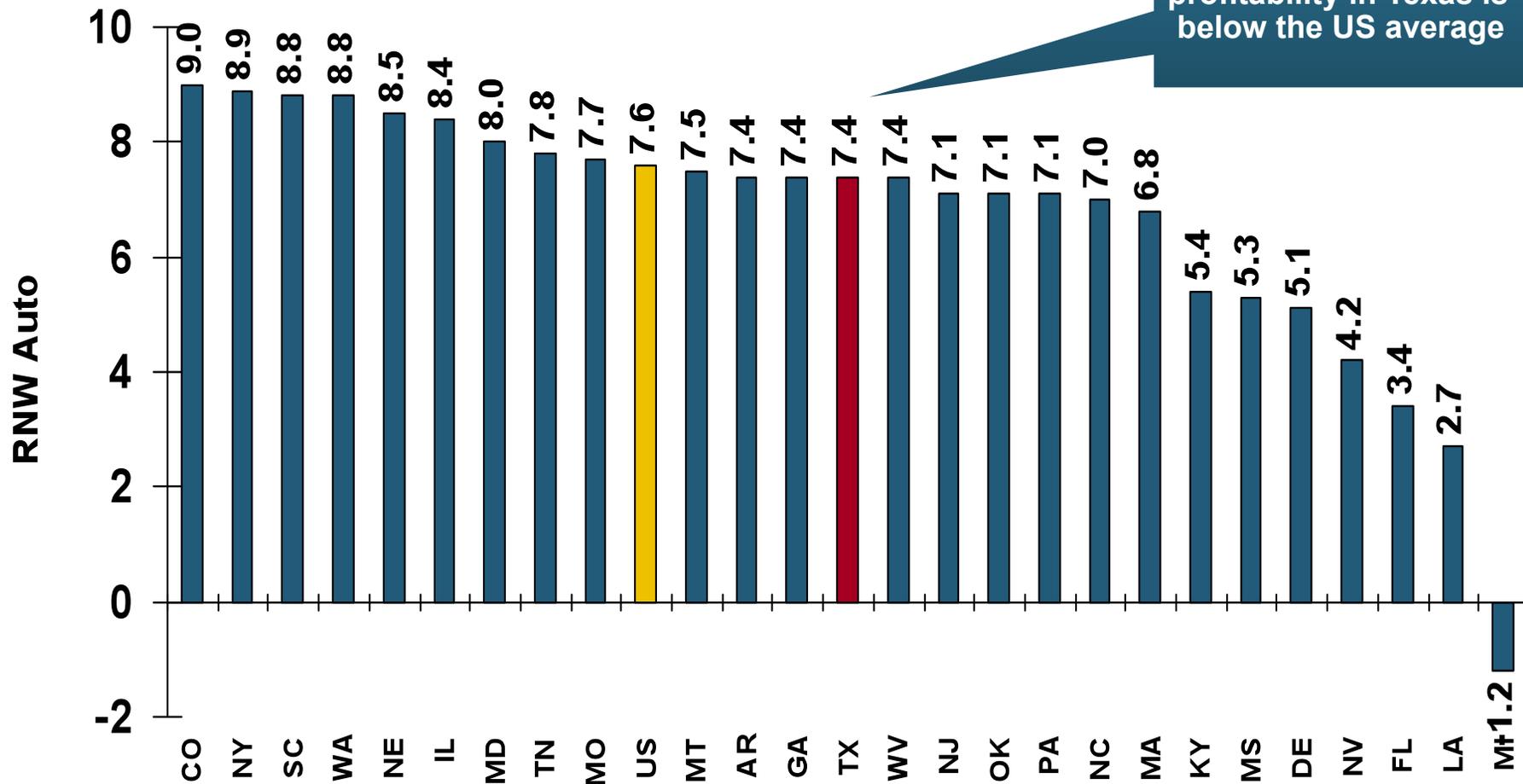
*Latest available.

Sources: NAIC.

Return on Net Worth: Pvt. Passenger Auto, 10-Year Average (2001-2010*)

(Percent)

Bottom 25 States

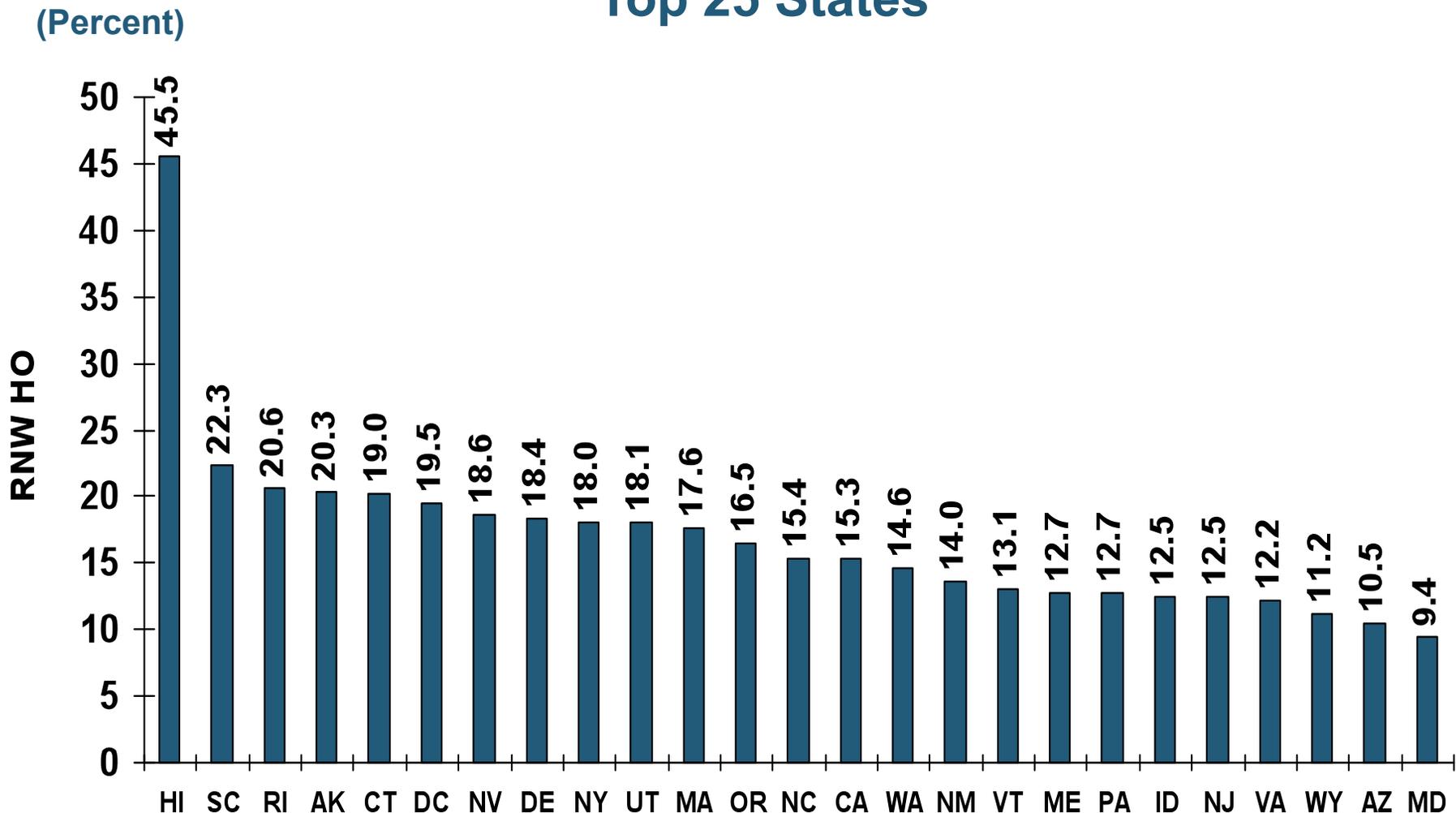


*Latest available.
Sources: NAIC

Return on Net Worth: Homeowners Insurance, 10-Year Average (2001-2010*)

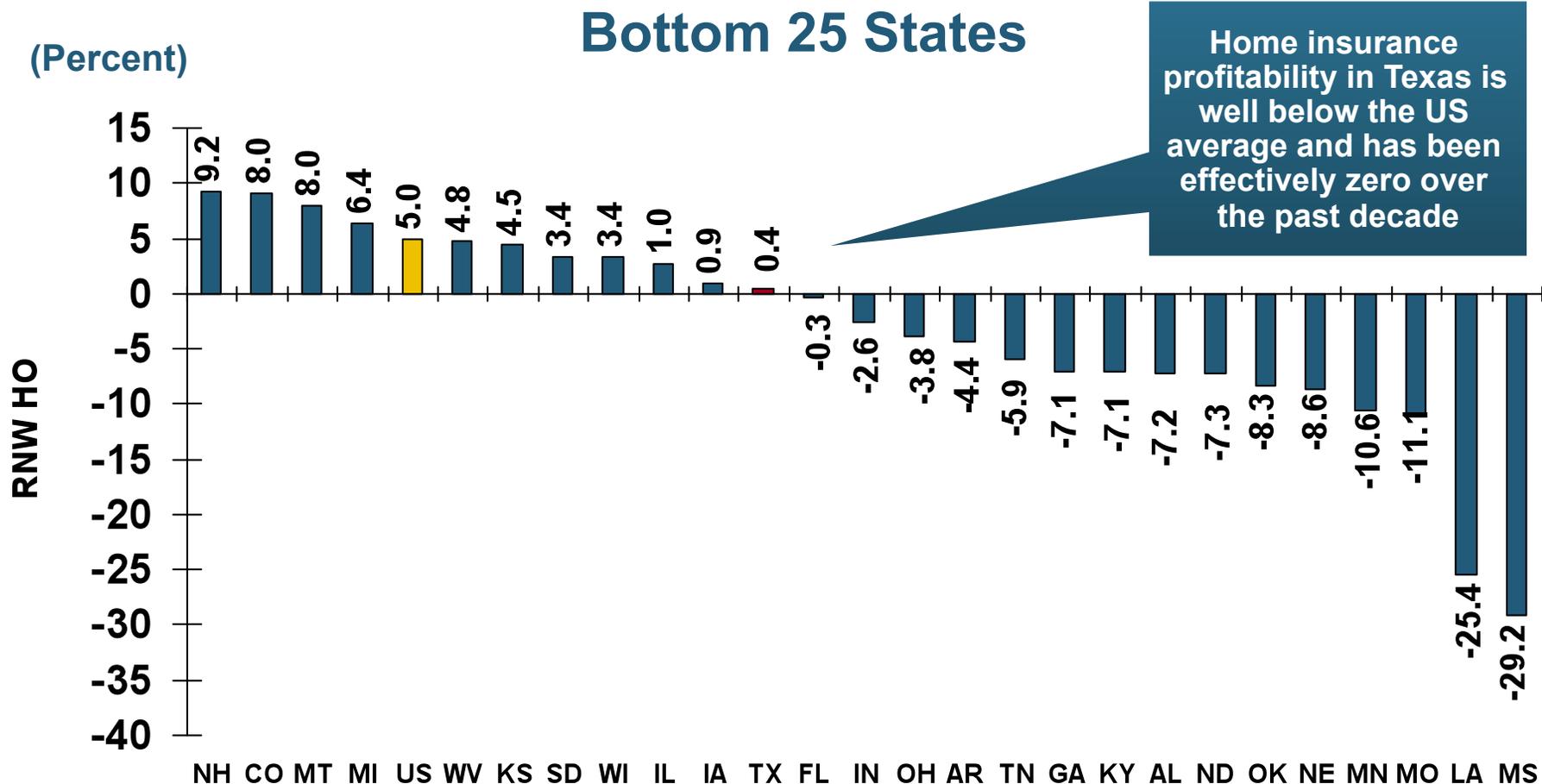


Top 25 States



*Latest available.
Sources: NAIC.

Return on Net Worth: Homeowners Insurance, 10-Year Average (2001-2010*)



*Latest available.
Sources: NAIC

Global Catastrophe Loss Developments and Trends

**2011 Will Rewrite Catastrophe Loss
and Insurance History**

But Will Losses Turn the Market?



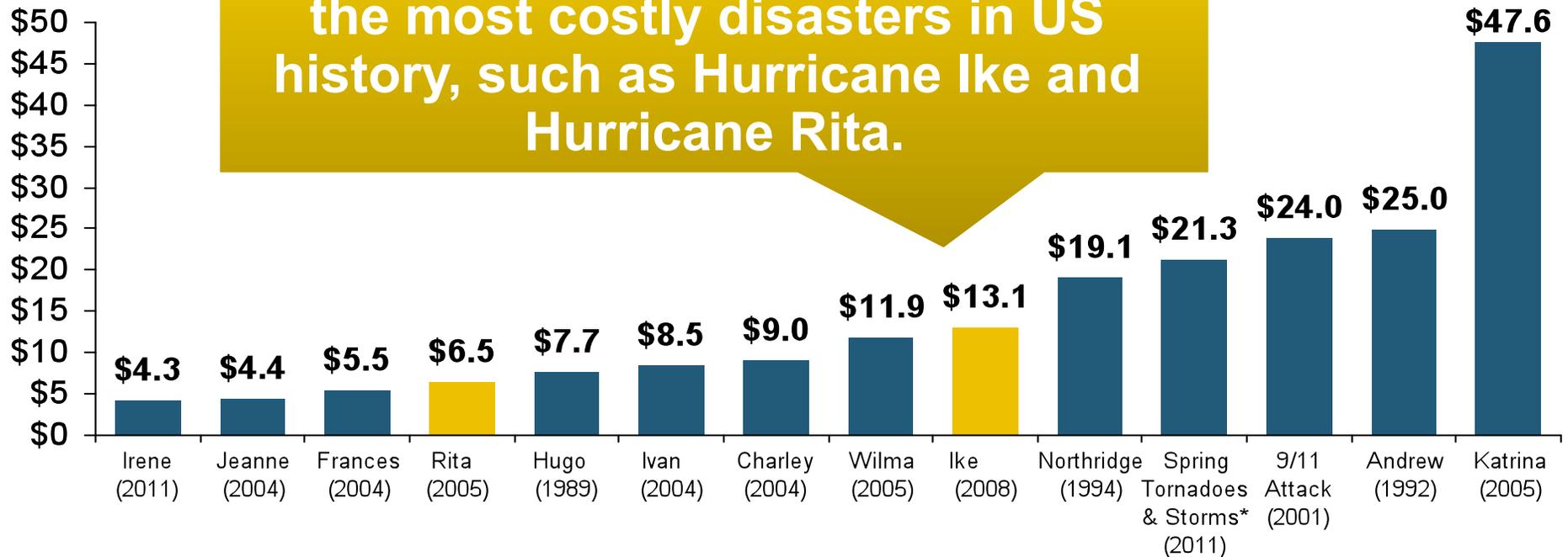
U.S. Insured Catastrophe Loss Update

**2011 Was One of the Most Expensive
Years on Record**

Top 14 Most Costly Disasters in U.S. History

(Insured Losses, 2011 Dollars, \$ Billions)

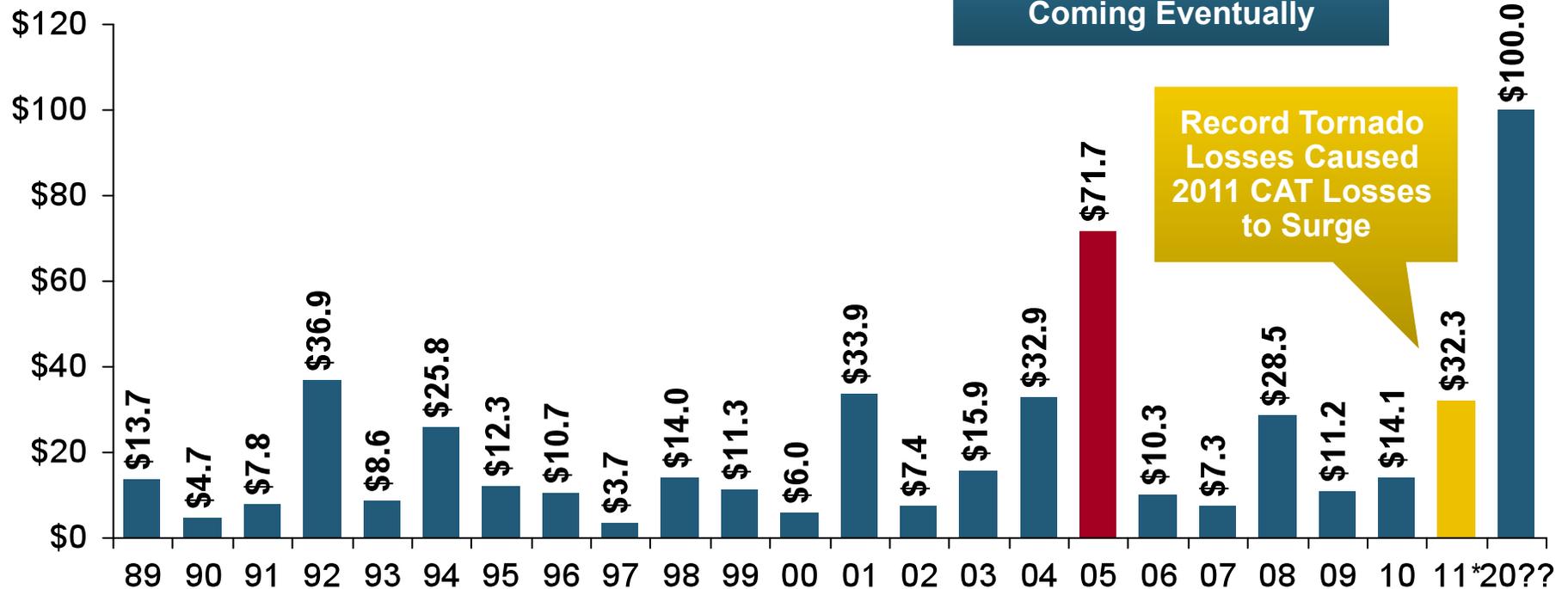
Texas has been impacted by some of the most costly disasters in US history, such as Hurricane Ike and Hurricane Rita.



*Losses will actually be broken down into several "events" as determined by PCS
 Sources: PCS; Insurance Information Institute inflation adjustments.

US Insured Catastrophe Losses

(\$ Billions, 2011 Dollars)



US CAT Losses in 2011 Were the 5th Highest in US History on An Inflation Adjusted Basis

*PCS figure as of April 6, 2012.

Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01 (\$25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B (\$15.6B in 2011 dollars.)

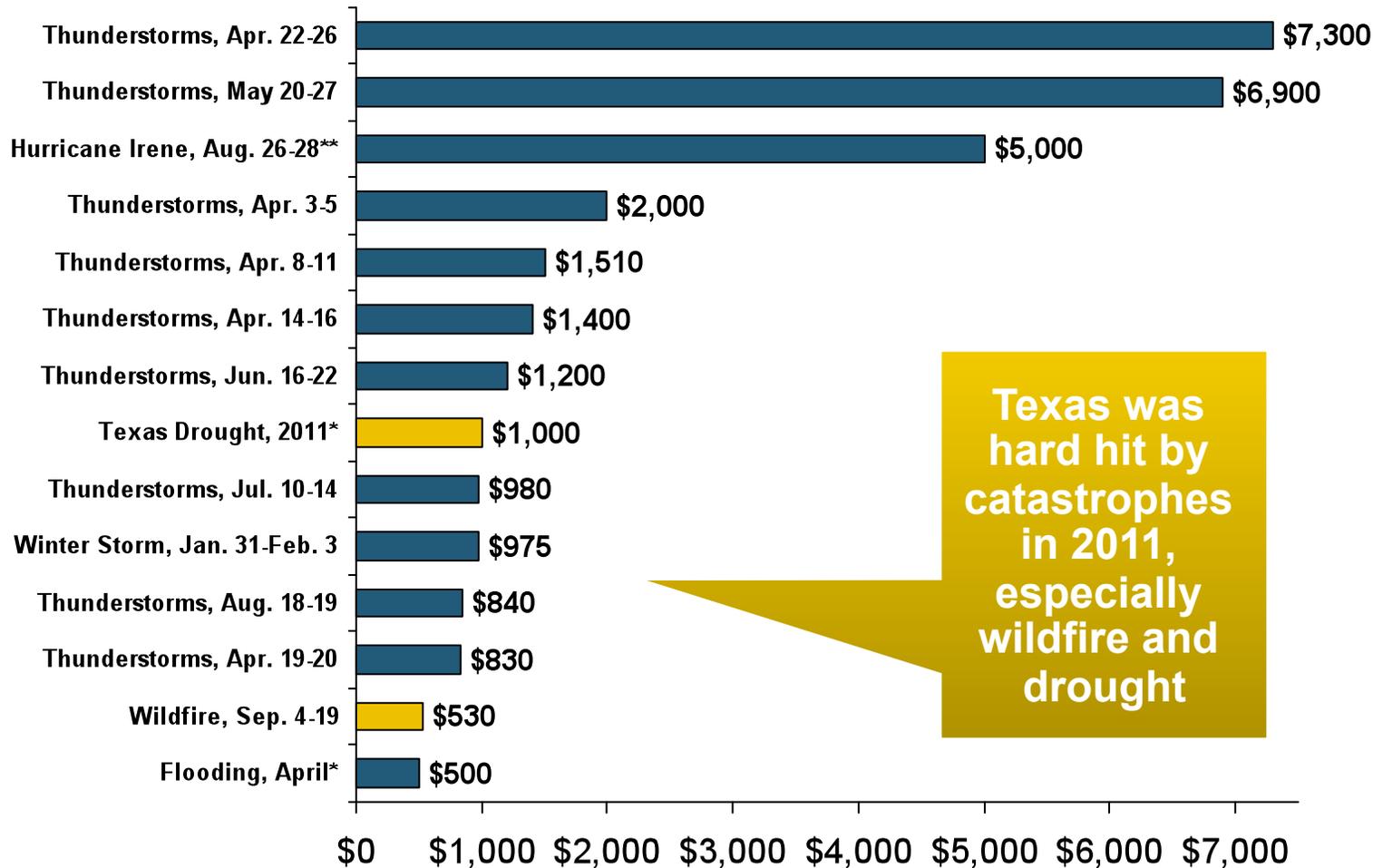
Sources: Property Claims Service/ISO; Insurance Information Institute.

Natural Disaster Losses in the United States: 2011



As of Jan. 1, 2012	Number of Events	Fatalities	Estimated Overall Losses (US \$m)	Estimated Insured Losses (US \$m)
Severe Thunderstorm	69	617	46,548	25,813
Winter Storm	9	67	2,708	2,017
Flood	14	20	2,705	535
Earthquake	5	1	257	50
Tropical Cyclone	3	0	10,700	5,510
Wildfire (Primarily in TX)	58	15	1,922	855
Other	2	33	8,000	1,000

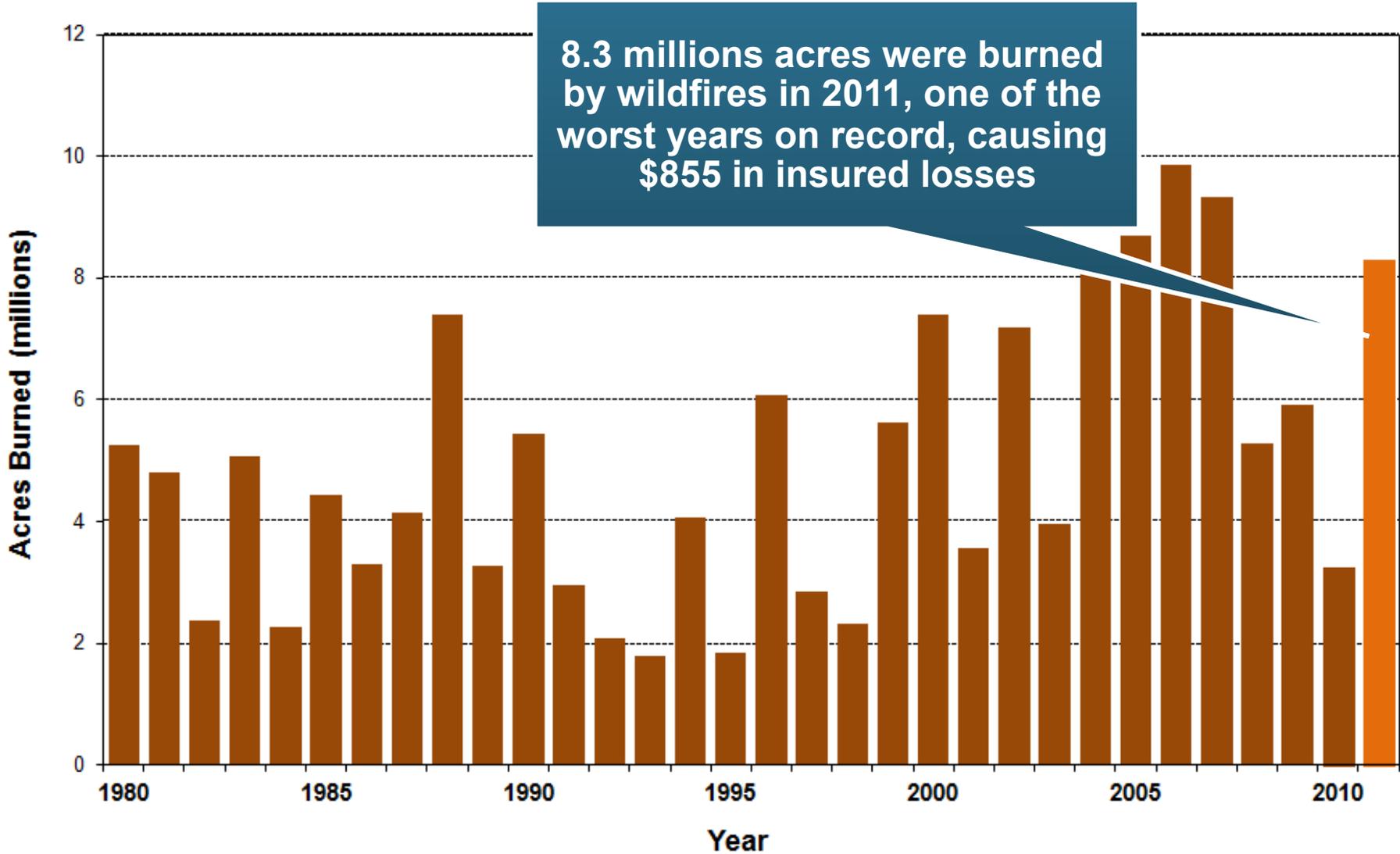
2011's Most Expensive Catastrophes, Insured Losses



**Includes \$700 million in flood losses insured through the National Flood Insurance Program.

Source: PCS except as noted by "*" which are sourced to Munich Re; Insurance Information Institute.

U.S. Acreage Burned by Wildfires, 1980 – 2011



Source: National Forest Service, MR NatCatSERVICE

Notable Wildfires in 2011

- Worst wildfire year on record in Texas due to persistent drought.
- **Spring:** Over 3 million acres burned in west Texas from 12 major seats of fire. Over 200 homes and businesses destroyed, \$50 million insured loss.
- **September:** Bastrop County Complex Fire near San Antonio destroys over 1,600 homes, insured loss of \$530 million.

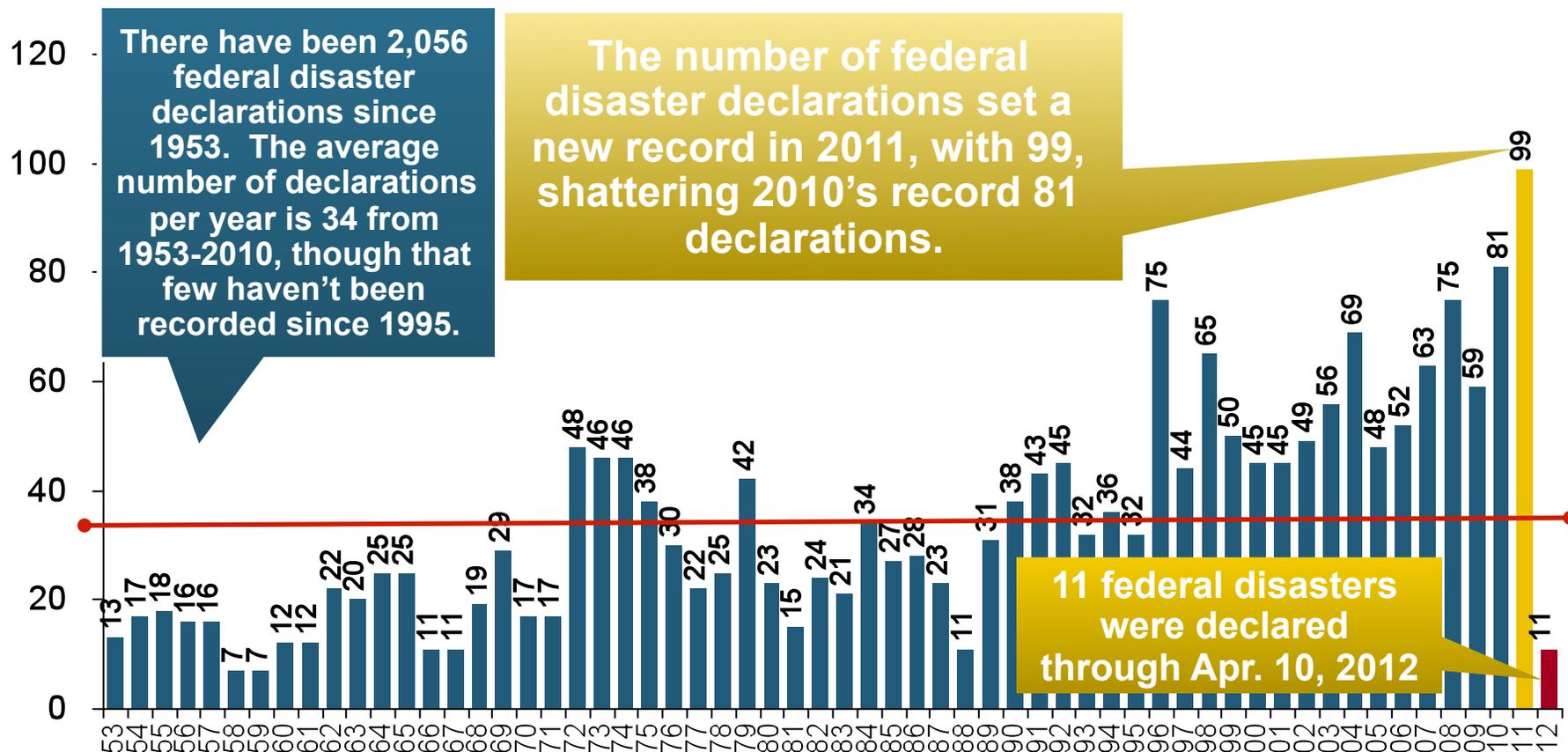




Federal Disaster Declarations Patterns: 1953-2012

**Records Were Set for Federal
Disaster Declarations in 2010 and
2011—Most Declarations Were
Unrelated to Tropical Activity**

Number of Federal Disaster Declarations, 1953-2012*

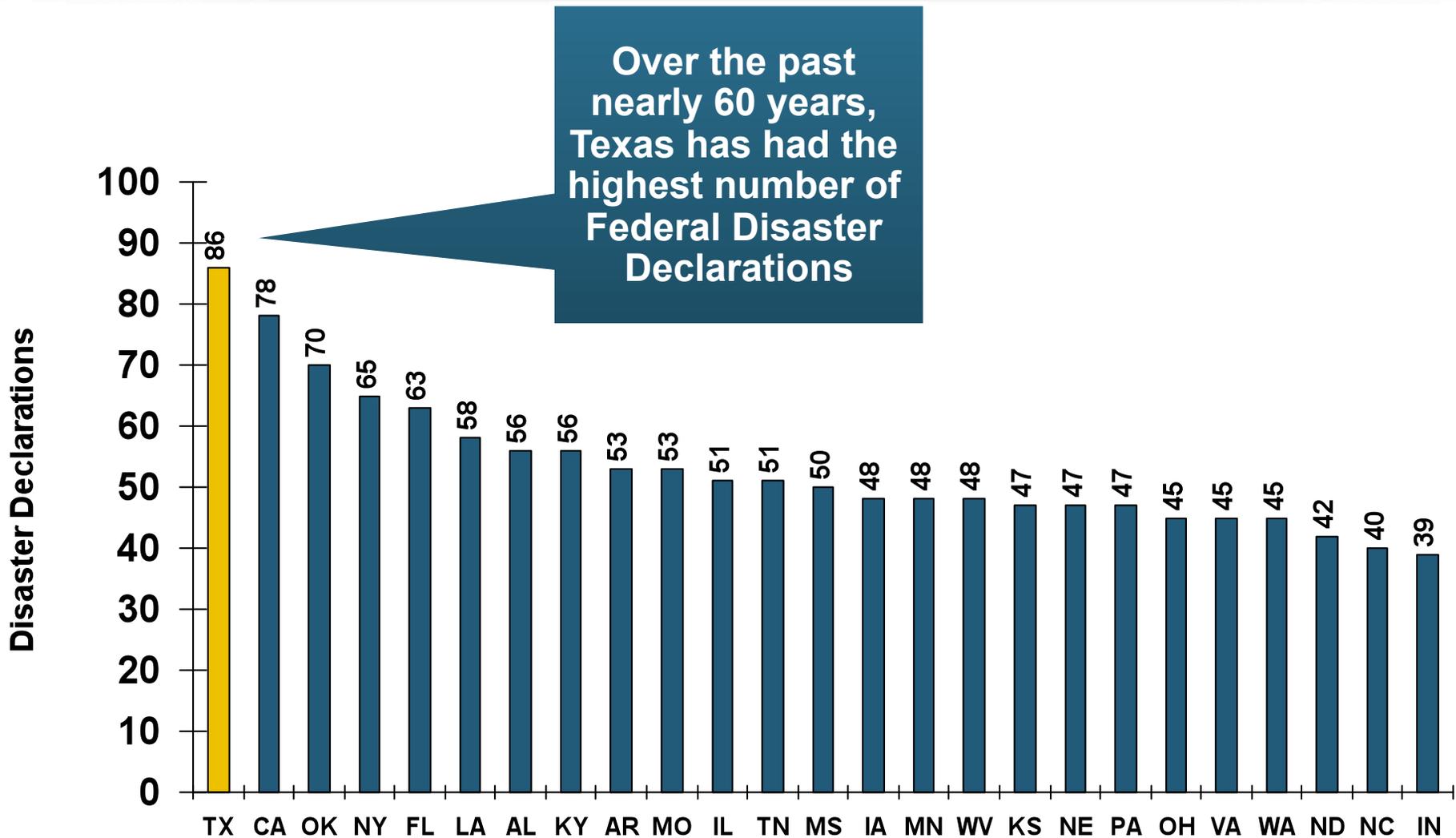


The Number of Federal Disaster Declarations Is Rising and Set New Records in 2010 and 2011

*Through April 10, 2012.

Source: Federal Emergency Management Administration: http://www.fema.gov/news/disaster_totals_annual.fema ; Insurance Information Institute.

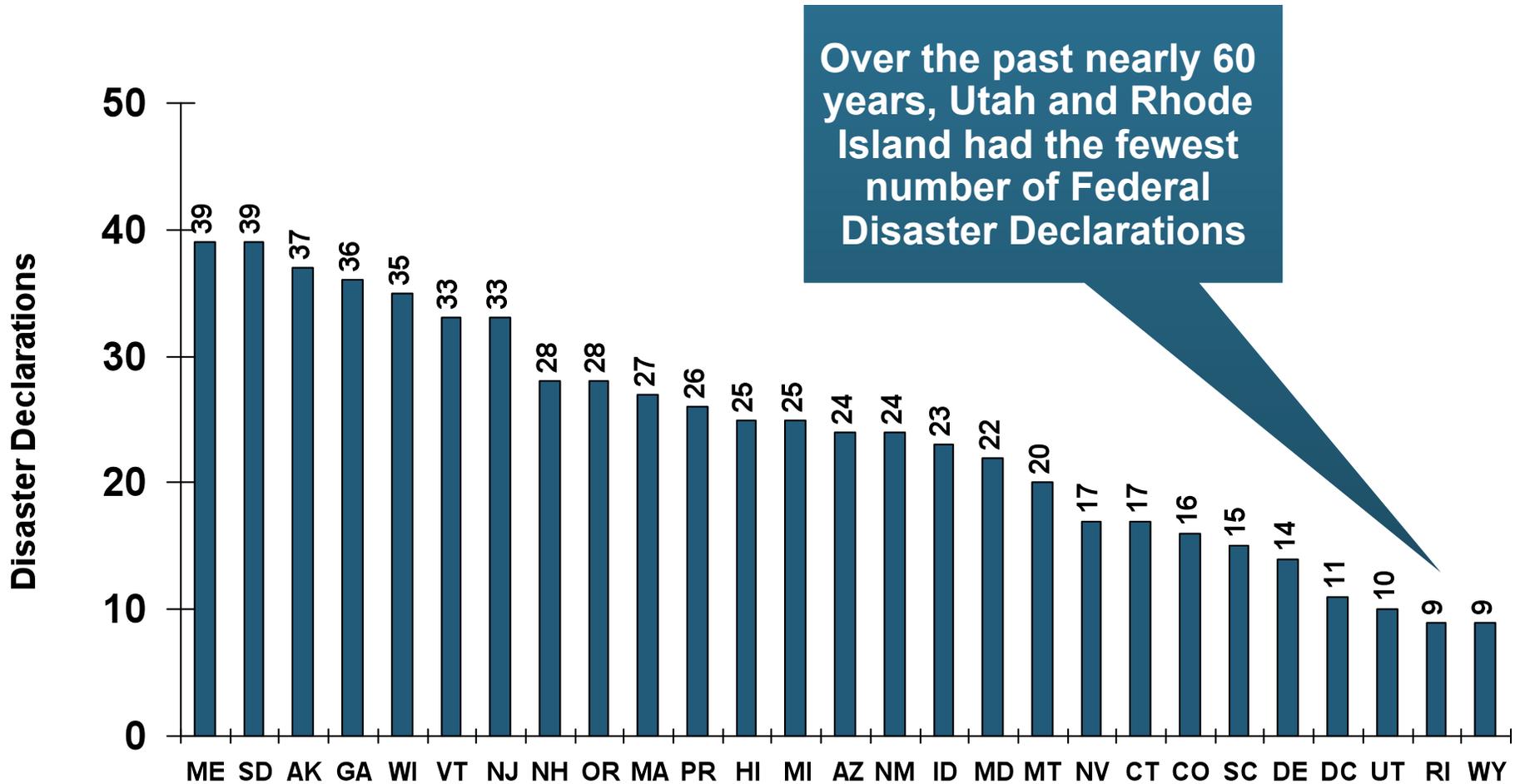
Federal Disasters Declarations by State, 1953 – 2012: Highest 25 States*



*Through Apr. 10, 2012.

Source: FEMA: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.

Federal Disasters Declarations by State, 1953 – 2012: Lowest 25 States*



*Through Apr. 10, 2012. Includes Puerto Rico and the District of Columbia.

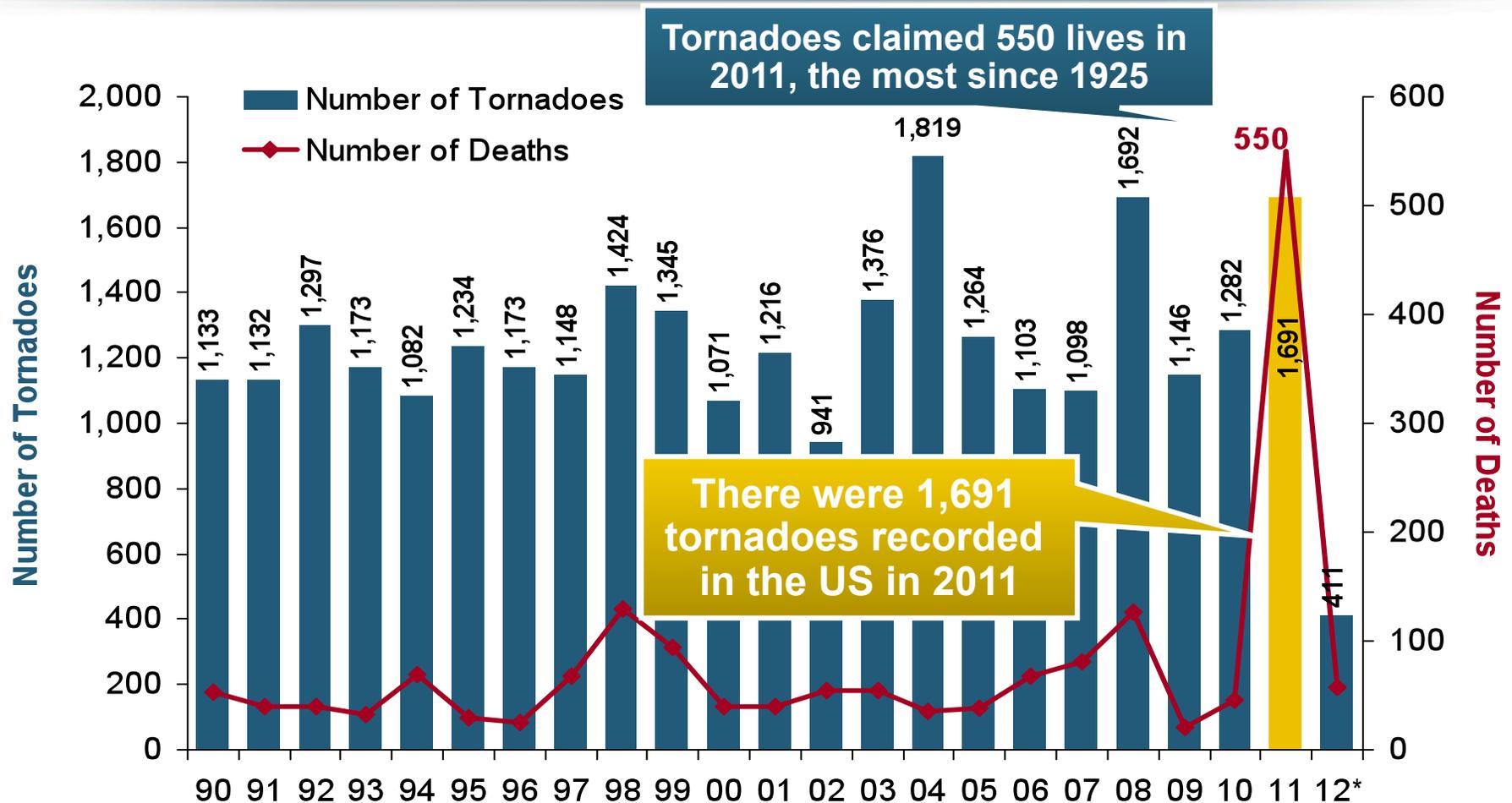
Source: FEMA: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.



SPRING 2012 TORNADO & SEVERE STORM OUTBREAK

**2012 Is Off to a Worrisome Start;
*Texas is in the Heart of
Catastrophe Country***

Number of Tornadoes and Related Deaths, 1990 – 2012*

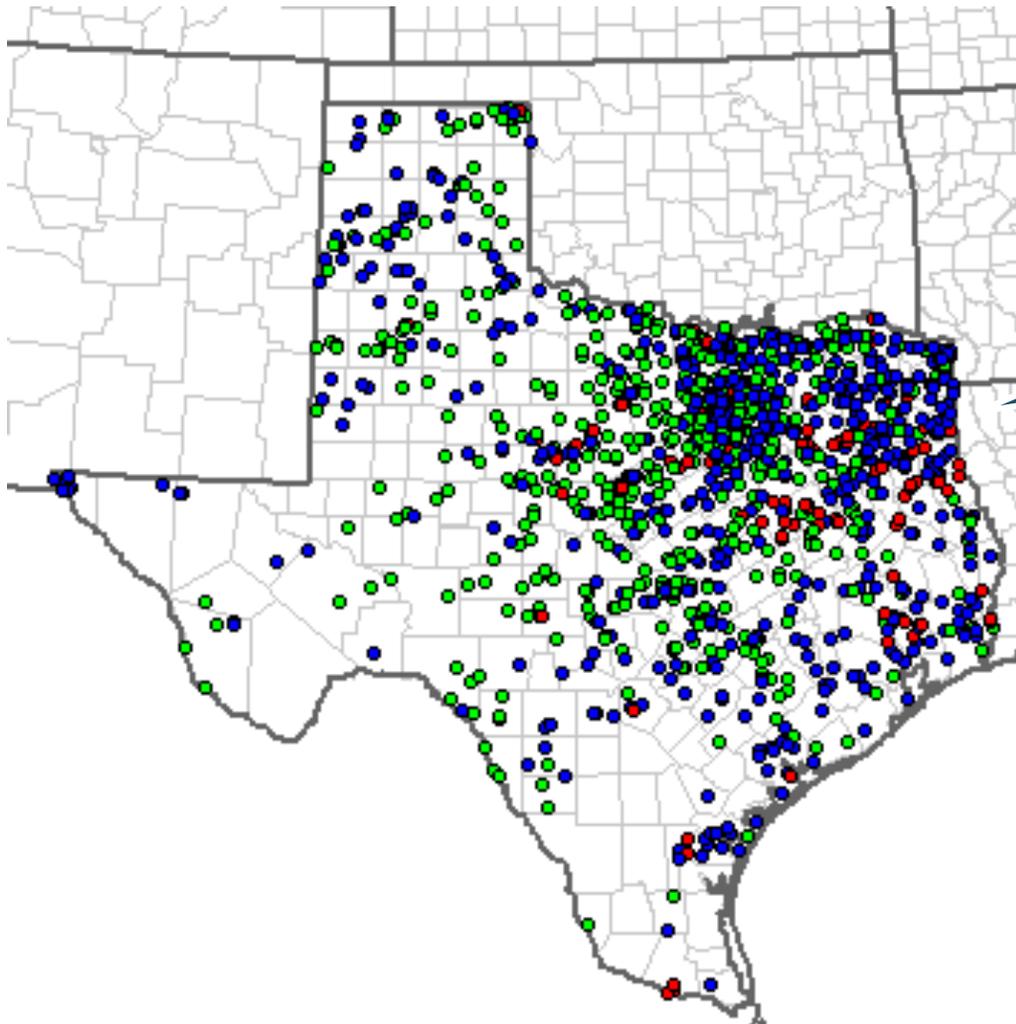


2012 Tornado Losses Is Off to a Ominous Beginning. First Half 2011 Insured Losses from Tornadoes and Thunderstorms Topped \$21B.

*Through April 7, 2012.

Source: U.S. Department of Commerce, Storm Prediction Center, National Weather Service at <http://www.spc.noaa.gov/climo/online/monthly/newm.html>

Severe Weather Reports in Texas, January 1—December 31, 2011



There were 1,547
severe weather
reports in TX in 2011

TEXAS

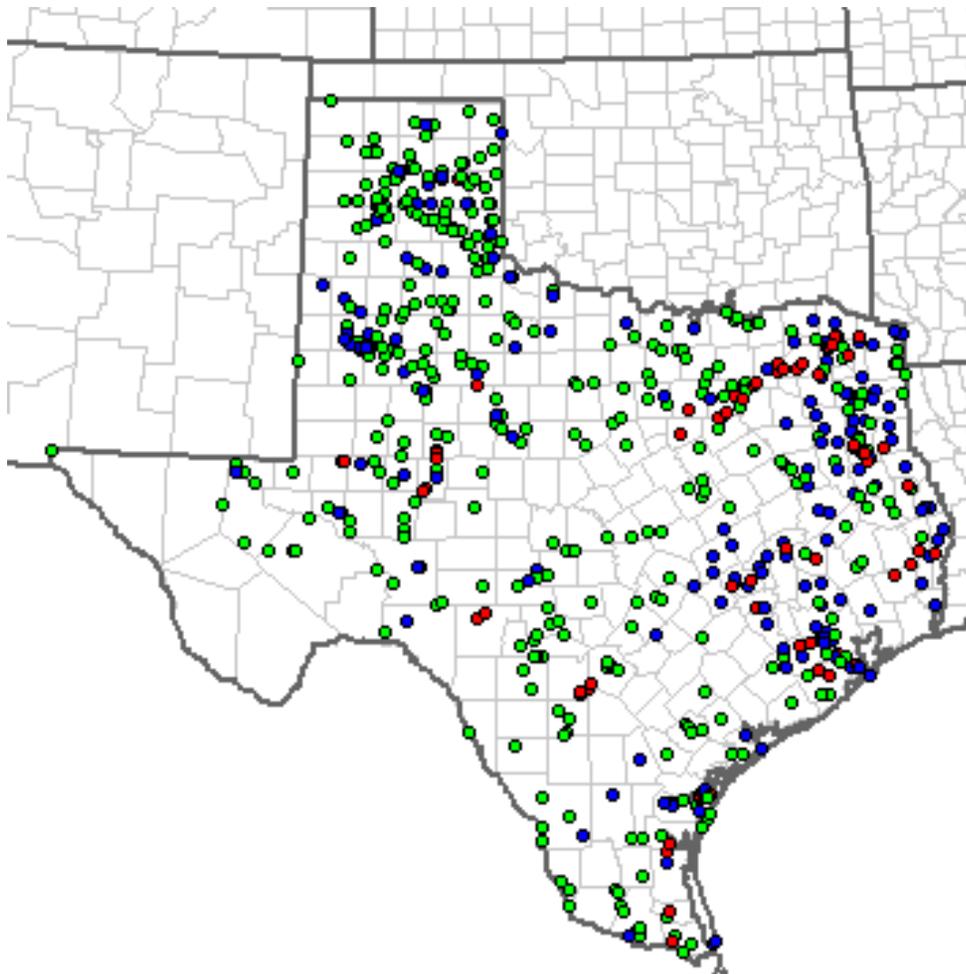
Total Reports = 1,537

Tornadoes = 115 (Red)

Hail Reports = 741 (Green)

Wind Reports = 681 (Blue)

Severe Weather Reports in Texas, January 1—May 2, 2012



There have already
been 671 severe
weather reports in TX in
2012, through May 2nd.

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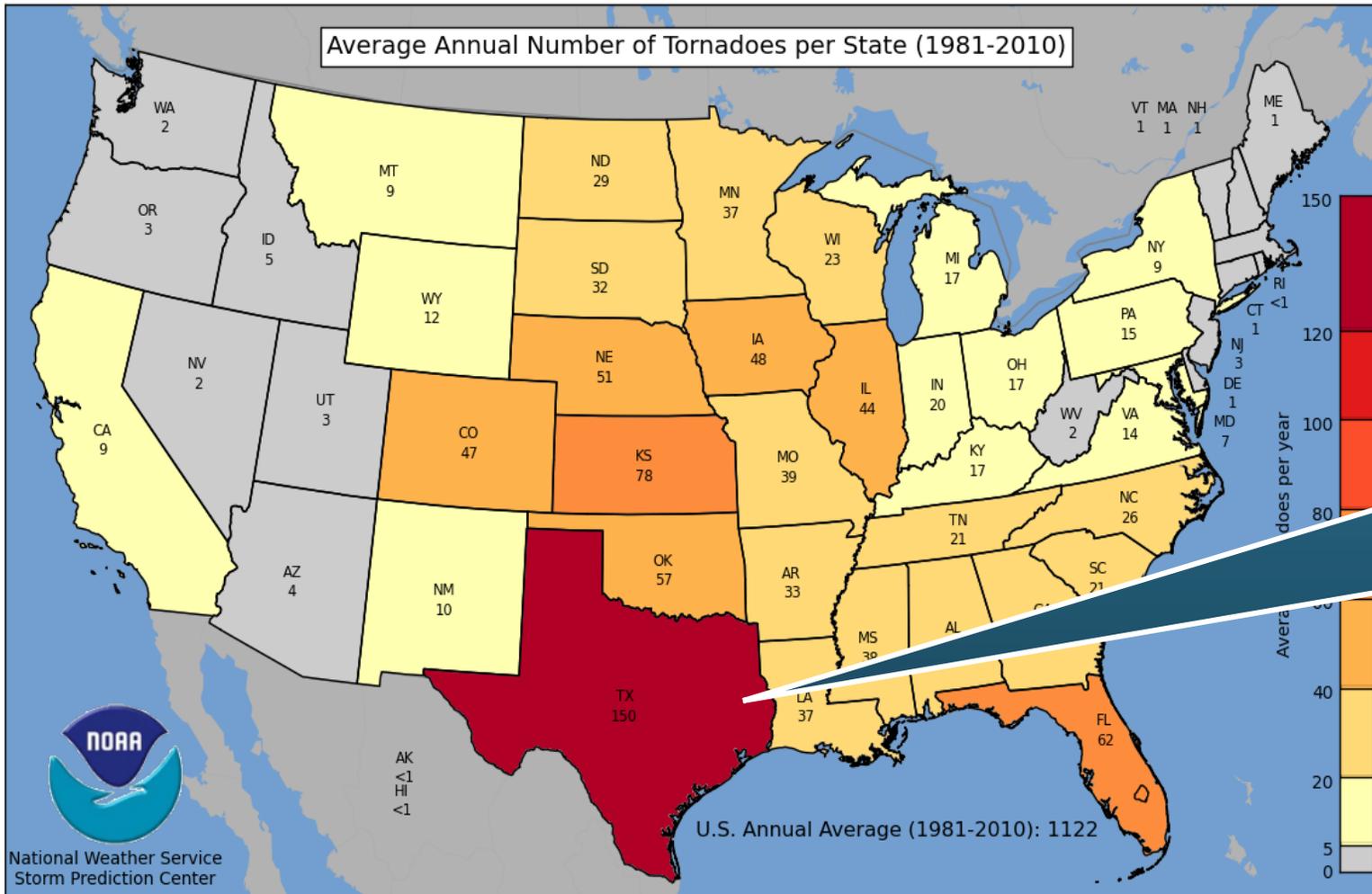
Total Reports = 671

Tornadoes = 66 (Red)

Hail Reports = 407 (Green)

Wind Reports = 198 (Blue)

Average Number of Tornadoes in Texas, 1981—2010



Texas leads the US with 150 tornadoes per year, on average

Insurance Information Institute Online:

www.iii.org

*Thank you for your time
and your attention!*

Twitter: twitter.com/bob_hartwig